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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68095, File No. SR-CBOE-2012-085)

October 24, 2012

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving Proposed Rule Change Relating to the Complex Order Auction Process

I. Introduction

On August 30, 2012, the Chicago Board Options Exchange (“Exchange” or “CBOE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² a proposed rule change to modify CBOE Rule 6.53C(d), “Process for Complex Order RFR Auction,” to: (i) include the side of the market in the request for response (“RFR”) message sent to Trading Permit Holders at the start of a Complex Order Auction (“COA”); and (ii) require responses to an RFR message (“RFR Responses”) to be on the opposite side of the market from the order being auctioned in a COA. The proposed rule change was published for comment in the Federal Register on September 17, 2012.³ The Commission received no comment letters regarding the proposal. This order approves the proposed rule change.

II. Description of the Proposal

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 67827 (September 11, 2012), 77 FR 57171 (“Notice”).

COA is an automated RFR auction process for COA-eligible orders.⁴ On receipt of a COA-eligible order and a request from the Trading Permit Holder representing the order that the order be subjected to a COA, CBOE sends an RFR message to all Trading Permit Holders that have elected to receive RFR messages.⁵ The RFR message identifies the component series, the size of the COA-eligible order, and any contingencies, if applicable, but not the side of the market (i.e. whether the order is to buy or to sell).⁶ Responders to the COA, who do not know the side of the market of the order being auctioned, may submit RFR Responses on both sides of the market.⁷ Because RFR Responses on the same side of the market as the COA-eligible order cannot trade with the order and thus are unnecessary, CBOE's trading system automatically rejects these RFR Responses.⁸

The Exchange proposes to amend CBOE Rule 6.53C(d) to: (i) include the side of the market in the RFR message sent to Trading Permit Holders at the start of a COA; and (ii) require RFR Responses to be on the opposite side of the market from the order being auctioned in a COA. CBOE believes that these proposed changes will make the COA process more efficient by eliminating the entry of unnecessary RFR Responses that cannot trade with the COA order.⁹

⁴ A "COA-eligible order" is a complex order that, as determined by the Exchange on a class-by-class basis, is eligible for a COA considering the order's marketability (defined as a number of ticks away from the current market), size, complex order type, and complex order origin type. See CBOE Rule 6.53C(d)(i)(2).

⁵ See CBOE Rule 6.53C(d)(ii).

⁶ See id.

⁷ See Notice, supra note 3, at 57172.

⁸ See id.

⁹ See id.

CBOE also believes that this increased efficiency could lead to more meaningful and competitively priced RFR Responses, which could result in better prices for customers.¹⁰

III. Discussion

After careful consideration of the proposed rule change, the Commission finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹¹ The Commission believes that the proposed rule change is consistent with Section 6(b) of the Act, in general, and Section 6(b)(5) of the Act,¹² in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. More specifically, the Commission believes that the proposal could improve the efficiency of the COA process by eliminating unnecessary RFR Responses, which otherwise would have been rejected automatically by CBOE's trading system.

¹⁰ See id.

¹¹ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹² 15 U.S.C. 78f(b)(5).

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change (SR-CBOE-2012-085) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Kevin M. O'Neill
Deputy Secretary

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¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 17 CFR 200.30-3(a)(12).